



CITY OF LODI

COUNCIL COMMUNICATION

AGENDA TITLE: Adopt Resolution to set a fixed employer's contribution for retirees under the Public Employees' Medical and Hospital Care Act (PEMHCA)

MEETING DATE: Wednesday, March 19, 2003

SUBMITTED BY: Human Resources Director

RECOMMENDED ACTION: That the City Council approve the Resolution to set a fixed amount of the employers' contribution at an amount not less than the amount required under Section 22825 of the PEMHCA.

BACKGROUND INFORMATION: In February of 2001, the City was faced with losing its access to medical care in Lodi under the medical plan in place. In a matter of weeks, in concert with the employee bargaining units, the City agreed to contract with CalPERS for medical insurance coverage. It was further decided by the City and shared and discussed with CalPERS and retirees that we provide the minimum contribution to the medical costs for annuitants as required by PEMHCA (not to exceed \$16.00).

In the beginning of this year, PEMHCA was amended and increased from \$16.00 to \$97.00 over a five-year period to be fully implemented in 2008. After a review of our current billing relative to this change, we learned that the model resolution provided to us by CalPERS does not provide for a maximum employer contribution capped at \$16.00, but an escalating contribution that is being increased to include the entire medical premium (100%). Currently, the City is providing varying contributions for retirees, ranging from \$18.05 to \$63.91 per month.

The resolution that the City relied upon and adopted was provided by CalPERS. The language is vague and ambiguous but understood to provide for the City's intent as communicated to CalPERS. After a recent review by the law firm of Liebert, Cassidy, and Whitmore, it was recommended that the City obtain legal opinion as to the appropriateness of CalPERS' actions and whether the City can recoup its unauthorized contributions.

Notwithstanding the legal issue, it is recommended that the City Council set the employer contribution prospectively for retirees.

APPROVED: _____

H. Dixon Flynn -- City Manager



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The cost for fixing the City's contribution at minimum and maximum levels is as follows:

If the City monthly contribution is \$16.00, the annual cost will be \$19,968.00

If the City monthly contribution is as currently paid, the annual cost will be \$54,684.00.

FUNDING: Inter-fund transfers

Vicky R. McAthie
Vicky McAthie, Finance Director

Respectfully submitted,

Joanne M. Narloch
Joanne M. Narloch, Human Resources Director

cc: City Attorney

APPROVED:

Jim Dixon Flynn
Jim Dixon Flynn -- City Manager

RESOLUTION NO. 2003-48

A RESOLUTION OF THE LODI CITY COUNCIL FIXING THE
EMPLOYER'S CONTRIBUTION UNDER THE PUBLIC
EMPLOYEES' MEDICAL AND HOSPITAL CARE ACT

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WHEREAS, Government Code Section 22825.6 provides that a local agency contracting under the Public Employees' Medical and Hospital Care Act shall fix the amount of the employer's contribution at an amount not less than the amount required under Section 22825 of the Act; and

WHEREAS, the City of Lodi is a local agency contracting under the Act.

NOW, THEREFORE, BE IT RESOLVED that the employer's contribution for EACH employee or annuitant shall be the amount necessary to pay the cost of his/her enrollment, including the enrollment of his/her family members, in a health benefit plan up to a maximum of \$16.00 per month, plus administrative fees and Contingency Reserve Fund assessments.

Dated: March 19, 2003

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I hereby certify that Resolution No. 2003-48 was passed and adopted by the Lodi City Council in a regular meeting held March 19, 2003, by the following vote:

AYES: COUNCIL MEMBERS – Beckman, Land, and Mayor Hitchcock
NOES: COUNCIL MEMBERS – Hansen
ABSENT: COUNCIL MEMBERS – Howard
ABSTAIN: COUNCIL MEMBERS – None



SUSAN J. BLACKSTON
City Clerk